

Dear Economic Development Colleague:

It is my pleasure to share with you the annual report of the Indiana Development Finance Authority (IDFA) for fiscal year 1999-2000. As you will see, IDFA has enjoyed a tremendous year of assisting Indiana businesses and communities.

During fiscal year 1999-2000, IDFA supported business growth and job creation by helping 323 Indiana companies and organizations finance economic development projects. IDFA issued bonds and loan guaranties and awarded volume cap for tax exempt bonds that led to the creation of over 3,000 new jobs. IDFA's Capital Access Program alone allowed participating banks to make loans to 284 companies that resulted in 1,074 new jobs in Indiana.

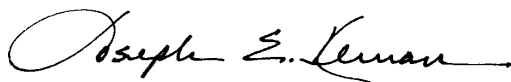
On top of its business growth and job creation efforts, IDFA also tackled "brownfields" redevelopment with grants totaling \$380,365 to local communities to assist them in assessing brownfields contamination and \$2,427,687 in low-interest loans to remediate contaminated sites.

As Indiana's economy continues to evolve, IDFA has enhanced its programs to promote the growth of high-technology/high-growth companies. Additionally, IDFA is working in partnership with Family and Social Services Agency, IDFA has also worked to make financing for childcare facilities easier and less expensive.

I hope you find IDFA's annual report informative. We welcome any comments about our programs or about ways that we can assist you in your efforts. I look forward to continuing to work with you in the future.

Thank you.

Sincerely,



Joseph E. Kernan
Lieutenant Governor

Indiana

Development Finance Authority

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Indianapolis, Indiana

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& Technology Fund

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& Technology Fund

Introduction

The Indiana Development Finance Authority (IDFA) was created by the Indiana General Assembly in 1990 to promote economic development and job creation through the use of a variety of debt financing tools. In partnership with the private sector and other state and local economic development agencies, IDFA issues bonds, loan guaranties and other forms of credit enhancement to help support growing Indiana businesses.

The IDFA Board is comprised of nine members: the Lieutenant Governor, the Treasurer of State, and seven Indiana residents appointed by the Governor, not more than four of whom may be from the same political party. Seven full-time professional staff conduct the daily business of the agency.

During Fiscal Year 1999-00, IDFA began implementing several programmatic changes enacted by the Indiana General Assembly in the 1999 session. These included changes allowing IDFA to focus on high growth companies paying high wages to skilled workers, financing assistance for licensed childcare facilities, and partially forgivable loans to communities for brownfield redevelopment.

Indiana

Development Finance Authority

Capital Access Program

The Capital Access Program (CAP) is one of the most widely used credit enhancement programs in the State. The Program creates a reserve account from contributions from the borrower, the lender and IDFA that can be used to help offset losses on CAP loans. CAP allows lenders to make loans they might not otherwise be able to make without the enhancement. Delinquencies and losses are low for a “high-risk” program; the program’s default rate is approximately 3.6%.

The added enhancement features for *high-tech/high-growth companies*, *child-care borrowers* and *minority business owners* help lenders to be competitive in their markets and responsive to client needs. CAP loans made to *minority owned businesses* receive 2 times the usual IDFA match, and loans made to *high-tech/high-growth companies* and *child-care borrowers* receive 3 times the usual match.

Indiana’s CAP is one of the top five programs in the country in number of loans, total dollars made available to small businesses and number of lenders participating.

As of June 30, 2000 the IDFA has partnered with 35 lending institutions in the State to make over 2104 loans for approximately \$98,900,000 in capital to Indiana’s small businesses. The average loan size is \$46,761. Approximately 15,000 Hoosier jobs have been created or retained with the CAP.

The following lenders have made over 100 loans each using the Capital Access Program:

1 st Source Bank, South Bend	104 loans
Bank One, Indiana	524 loans
Fifth Third Bank, Indiana	322 loans
Horizon Bank, Michigan City	174 loans
Mercantile National Bank, Portage	106 loans
National City Bank, Indiana	395 loans
Union Planters Bank, Indiana	123 loans

State Private Activity Bond Ceiling & 1999-00 Volume Cap

STATE PRIVATE ACTIVITY BOND CEILING

IDFA administers Indiana's State Private Activity Bond Ceiling (also referred to as "Volume Cap"). Federal law establishes a limit on the amount of certain tax-exempt private activity bonds that may be issued within a state in a calendar year. This limit is set at \$50 per capita, which resulted in \$293,200,000 in bond volume available to Indiana issuers in Calendar Year 1999, and \$297,145,050 in Calendar Year 2000. All Indiana issuers apply to IDFA when issuing private activity bonds subject to Volume Cap.

Under state law, Indiana's volume cap is initially allocated among four categories:

State-Issued Bonds

Indiana Development Finance Authority	10%
Indiana Housing Finance Authority	28%

Locally-Issued Bonds

Manufacturing and certain exempt facilities	42%
Low-income, multi-family housing projects	20%

Pursuant to IDFA's Volume Cap Guidelines, volume cap for manufacturing projects is awarded monthly January - October on a competitive basis, considering the number of jobs created, capital investment, wages, and the location of the project, among other factors. Low-income, multi-family housing volume cap requests are reviewed by the Indiana Housing Finance Authority twice a year pursuant to guidelines consistent with IHFA's tax credit allocation plan.

1999-00 Volume Cap

Indiana has allocated all of its volume cap each year since 1995. Volume cap was distributed to manufacturing projects by awarding approximately 10% of available funds each month. As of June 30, 2000, approximately 65% of the Volume Cap available in Indiana for Calendar Year 2000 had been reserved.

1999 Calendar Year Volume Cap Awards

<u>PROJECT</u>	<u>COUNTY</u>	<u>ISSUE DATE</u>	<u>JOBS CREATED</u>	<u>AMOUNT ISSUED</u>	<u>CAPITAL INVESTMENT</u>
Flambeau Products Corp.	Bartholomew	01/28/99	82	\$ 1,500,000	\$ 3,009,700
Big Sky Park, LLC (Polycon)	Lake	04/28/99	182	\$ 6,000,000	\$ 10,100,000
L & W Engineering, Inc.	Elkhart	05/28/99	30	\$ 850,000	\$ 980,000
Bourbon Plastics, Inc.	Marshall	06/25/99	10	\$ 400,000	\$ 400,000
Indiana Bio-Composites, LLC	Elkhart	06/29/99	44	\$ 1,000,000	\$ 11,000,000
Carr Metal Products, Inc.	Marion	07/29/99	46	\$ 1,500,000	\$ 3,000,000
R-Vision, Inc.	Kosciusko	07/30/99	80	\$ 900,000	\$ 2,405,245
G & H Diversified Mfg., L.P.	Marion	11/19/99	35	\$ 980,000	\$ 1,730,000
AK Steel Corporation	Spencer	01/07/99	78	\$ 10,000,000	\$1,100,000,000
Toyota Motor Manufacturing	Gibson	02/04/99	325	\$ 10,000,000	\$ 175,000,000

Indiana

Development Finance Authority

1999-00 Volume Cap, Continued

<u>PROJECT</u>	<u>COUNTY</u>	<u>ISSUE DATE</u>	<u>JOBS CREATED</u>	<u>AMOUNT ISSUED</u>	<u>CAPITAL INVESTMENT</u>
American Iron Oxide Co.	Spencer	02/26/99	11	\$ 8,600,000	\$ 11,000,000
American Iron Oxide Co.	Porter	02/26/99	13	\$ 1,000,000	\$ 10,000,000
Decorator Industries, Inc.	Elkhart	03/29/99	100	\$ 1,500,000	\$ 1,750,000
Viking Air Tools, Inc.	Morgan	04/01/99	19	\$ 4,250,000	\$ 5,362,873
Amoco Oil Company	Lake	03/30/99	N/A	\$ 10,000,000	\$ 80,500,000
Ramsey Water Company	Harrison	03/30/99	1	\$ 1,000,000	N/A
Edwardsville Water Company	Floyd	03/25/99	N/A	\$ 500,000	N/A
Indiana Wallboard Plant	Jasper	04/26/99	38	\$ 9,998,678	\$ 32,500,000
Block Heavy & Highway Prod.	Porter	05/12/99	60	\$ 5,200,000	\$ 6,000,000
Pinnacle Building Systems	Elkhart	05/20/99	61	\$ 1,500,000	\$ 3,200,000
Elevator Equipment Corp.	Wayne	05/27/99	80	\$ 2,700,000	\$ 2,750,000
Telamon Corporation	Hamilton	06/02/99	100	\$ 1,500,000	\$ 1,500,000
Fall Creek Housing Corp.	Elkhart	07/29/99	200	\$ 5,000,000	\$ 6,000,000
Roth Companies, Inc.	Marion	08/04/99	65	\$ 3,100,000	\$ 4,000,000
Teleflex Incorporated	Noble	08/19/99	300	\$ 9,500,000	\$ 9,500,000
Lifetime Manufactured Homes	LaGrange	08/26/99	150	\$ 2,600,000	\$ 3,300,000
LA West, Inc.	LaGrange	08/26/99	50	\$ 2,200,000	\$ 2,500,000
USG Corporation	Lake	09/17/99	187 R	\$ 10,000,000	\$ 90,000,000
Dynamic R.E.H.C., Inc.	St. Joseph	09/29/99	15	\$ 1,495,000	\$ 1,900,000
UnderSea Sensor Systems	Whitley	09/29/99	65	\$ 3,200,000	\$ 6,834,000
DK Enterprises, LLC	Huntington	09/29/99	15	\$ 1,500,000	\$ 1,700,000
Chip Ganassi Racing Teams	Marion	09/30/99	12	\$ 3,400,000	\$ 5,000,000
Double H Manufacturing	Grant	10/28/99	30	\$ 5,500,000	\$ 7,000,000
Hutchison-Hayes Separators	Johnson	10/29/99	30	\$ 2,380,000	\$ 2,800,000
American Iron Oxide Co.	Porter	11/01/99	9	\$ 5,150,000	\$ 6,000,000
Quality Machine & Tool Works	Bartholomew	11/30/99	12	\$ 1,255,000	\$ 1,900,000
North American Green, Inc.	Posey	12/01/99	15	\$ 4,000,000	\$ 4,000,000
Rink Riverside Printing, Inc.	St. Joseph	12/09/99	18	\$ 1,300,000	\$ 1,360,000
Digger Specialties, Inc.	Marshall	12/09/99	35	\$ 2,370,000	\$ 2,370,000
Mortgage Credit Certificates	N/A	04/08/99	N/A	\$ 24,861,100	N/A
Single Family Mortgage	N/A	04/14/99	N/A	\$ 15,000,000	N/A
Single Family Mortgage	N/A	05/26/99	N/A	\$ 15,250,000	N/A
Single Family Mortgage	N/A	06/30/99	N/A	\$ 13,295,000	N/A
Single Family Mortgage	N/A	10/21/99	N/A	\$ 14,180,000	N/A
Mortgage Credit Certificates	N/A	01/03/00	N/A	\$ 32,634,972	N/A
Keystone at Fall Creek Apts.	Marion	05/07/99	N/A	\$ 9,500,000	N/A
Waterfront Pointe Apartments	Marion	05/19/99	N/A	\$ 8,400,000	N/A
Hermitage Apartments	Marion	05/20/99	N/A	\$ 8,300,000	N/A
Franklin Place Apartment	Johnson	05/20/99	N/A	\$ 5,400,000	N/A
Valley Ridge Apartments	Floyd	11/23/99	N/A	\$ 3,310,000	N/A

1999-00 Volume Cap, Cont. & Bonds Issued

2000 Calendar Year Volume Cap Awards through June 30, 2000

<u>PROJECT</u>	<u>COUNTY</u>	<u>ISSUE DATE</u>	<u>JOBS CREATED</u>	<u>AMOUNT ISSUED</u>	<u>CAPITAL INVESTMENT</u>
Apollo Design Technology, Inc.	Allen	02/29/2000	24	\$ 907,700	\$ 1,239,205
Starke County Development (Norton Packaging)	Starke	03/02/2000	24	\$ 806,600	\$ 1,906,600
C & C Fiberglass, Inc.	Marshall	05/03/2000	35	\$ 850,000	\$ 910,000
Toyota Manufacturing	Gibson	02/16/2000	325	\$10,000,000	\$ 175,000,000
Washington Township Water	Monroe	02/16/2000	2	\$ 1,315,000	N/A
Genesis Plastics & Engineering	Scott	02/29/2000	24	\$ 2,000,000	\$ 2,000,000
American Iron Oxide Co.	Spencer	03/02/2000	7	\$ 3,680,000	\$ 24,757,000
Atchison Indiana, LLC	St. Joseph	03/23/2000	50	\$ 9,500,000	\$ 17,000,000
Georgia-Pacific Corporation	Jasper	04/06/2000	25	\$10,000,000	\$ 65,000,000
PHD, Inc.	Allen	05/03/2000	35	\$ 3,200,000	\$ 3,400,000
Wabash Valley Packaging	Vigo	05/18/2000	45	\$ 5,500,000	\$ 5,500,000
EFTEC, Inc.	Shelby	05/25/2000	98	\$10,000,000	\$ 16,712,374
Deluxe Sheet Metal, Inc.	St. Joseph	06/13/2000	13	\$ 2,000,000	\$ 2,500,000
Universal Bearings, Inc.	Marshall	06/21/2000	80	\$ 4,000,000	\$ 4,000,000
Ohio Valley Aluminum Co., LLC (dba Custom Extrusions)	Fayette	06/21/2000	63	\$ 9,000,000	\$ 9,000,000
American Plastic Molding Corp.	Scott	06/27/2000	35	\$ 1,500,000	\$ 3,000,000
Single Family Mortgage	N/A	02/24/2000	N/A	\$10,950,000	N/A
Single Family Mortgage	N/A	05/04/2000	N/A	\$24,000,000	N/A
Single Family Mortgage	N/A	06/29/2000	N/A	\$16,550,000	N/A
Single Family Mortgage	N/A	05/18/2232	N/A	\$20,000,000	N/A
The Overlook Apartments	Elkhart	05/18/2000	N/A	\$ 8,200,000	N/A
Lincoln Village Apartments	Dubois	10/18/2000*	N/A	\$ 2,350,000	N/A
Fore Armstrong Farm Apts.	Clark	10/20/2000*	N/A	\$ 8,246,000	N/A
Carriage House South Apts.	Marion	10/20/2000*	N/A	\$10,000,000	N/A
Bedford Park Apartments	Marion	10/24/2000*	N/A	\$ 9,325,000	N/A

*Awarded prior to June 30

BONDS ISSUED BY IDFA

Small Bond Program

Small companies traditionally have been unable to take advantage of tax-exempt financing because of high up-front legal and administrative costs. Under the Small Bond Program, borrowers utilize standard bond documents and enjoy reduced fees and a streamlined process for issuing bonds. The individual bonds are purchased and held by banks to further reduce issuing costs, and the banks review the issues under their normal credit underwriting standards. Bond issues of \$1,000,000 or less are eligible for the Program, which is limited by federal law to primarily manufacturing firms and 501(c)(3) organizations. The following bonds were issued this program in FY 99-00.

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Bonds Issued by IDFA, Continued

R-Vision, Inc.: \$900,000. R-Vision manufactures recreational vehicle products. Bond proceeds were used for the acquisition, construction, installation and equipping of an approximately 54,000 square foot facility in Warsaw. The company currently employs 225 people and expects to create 80 new jobs in the next three years. The bonds were purchased by NBD Bank, Elkhart.

G & H Diversified Mfg., L.P.: \$980,000. G & H manufactures laser cut tubular and flat products in Indianapolis. The company currently employs 39 people and expects to create 35 new jobs in the next three years. The bonds were purchased by the National Bank of Indianapolis.

Starke County Development Foundation, Inc. (Norton Packaging, Inc.): \$806,600. Starke County will lease the building to Norton Packaging. Norton manufactures plastic shipping pails used for industrial packaging of paint and chemicals. Bond proceeds were used for the construction of a 22,146 square foot steel frame manufacturing addition in Hamlet. Norton currently employs three people and expects to create 24 new jobs in the next three years. The bonds were purchased by 1st Source Bank, South Bend. This is Starke County's second bond issue for Norton Packaging under the program.

Apollo Design Technology, Inc.: \$907,700. Apollo manufactures custom and standard lighting templates. Bond proceeds were used for the purchase of land and construction of a 26,000 square foot facility located in Fort Wayne. Apollo currently employs 44 people and expects to create 24 new jobs in the next three years. The bonds were purchased by Bank One, N.A.

C & C Fiberglass, Inc.: \$850,000. C & C manufactures tubs, showers and spas for the recreational vehicle, manufactured housing and residential markets. Bond proceeds were used for the acquisition, construction, installation and equipping of an approximately 30,000 square foot manufacturing facility in Bremen, and to purchase machinery and equipment. C & C currently employs 55 people and expects to create 35 new jobs in the next three years. The bonds were purchased by 1st Source Bank, N.A.

Regular Bonds

IDFA also acts as a conduit bond issuer for larger bond issues when the local issuer is unable to issue the bonds.

Carr Metal: \$1,500,000. Carr Metal manufactures metal and plastic case trays for the orthopedic industry as well as other metal fabrication for other commercial industries. Bond proceeds were used to purchase new machinery and equipment. The company currently employs 143 people and expects to create 45 new jobs in the next three years.

Bonds Issued by IDFA, Continued

501(c)(3) Bonds

The IDFA issues bonds for the benefit of not-for-profit entities that are either industrial development projects or serve charitable or educational purposes.

The National Collegiate Athletic Association: \$15,355,000. The NCAA is the umbrella organization through which the colleges and universities of the nation speak and act on athletics matters at the national level. Bond proceeds were used for the acquisition, construction and installation of furnishings and technology infrastructure and equipment for the NCAA's new headquarters, and the acquisition, construction and installation of the NCAA's warehouse facilities. The NCAA expects to create 300 new Indiana jobs in the first year.

Indianapolis Urban League, Inc.: \$2,230,000. The Indianapolis Urban League is a non-profit, not-partisan, interracial community-based social service/civil rights organization. Bond proceeds were used for the construction and equipping of an approximately 33,500 square foot building for use as its corporate office in Indianapolis. The League expects to create twelve new jobs in the next three years.

University High School of Indiana, Inc.: \$6,500,000. Bond proceeds will be used to purchase land and existing structures and erect the first building on the site for the opening of school for its first class in August 2000, including equipment, site improvements and temporary classrooms. University High School had to demonstrate a commitment to economic diversity in its students population through scholarships and reduced tuition and fees.

Refunding Bonds

Indianapolis Power & Light Company: \$23,500,000. This bond issue refinanced an outstanding tax-exempt issue originally issued in 1989 by the Authority's predecessor, the Indiana Employment Development Commission. The company will save approximately \$900,000 per year because of the refinancing.

Southern Indiana Gas and Electric Company (SIGECO): \$22,500,000. This bond issue refinanced an outstanding tax-exempt issue originally issued by the City of Mt. Vernon in 1984. The company will save approximately \$7,000,000 in interest savings over the life of the bonds.

PSI Energy, Inc.: \$54,250,000. This bond issue refinanced outstanding tax-exempt issues originally issued by the Indiana Economic Development Commission in 1990, the Indiana Development Finance Authority in 1993 and the City of Princeton in 1990. The company will save in excess of \$16,000,000 over the life of the bonds because of the refunding.

Indiana

Development Finance Authority

Industrial Development Project Guaranty Program

IDFA's Loan Guaranty Program works in partnership with lenders to provide funding to promising Indiana businesses that may not be eligible for conventional financing. The Program supports high growth/high technology companies, industrial development projects, rural development projects and agricultural enterprises.

IDFA provides guaranties for loans to Hoosier businesses as high-tech as the company that creates testing equipment and research models for NASA space missions, and as down-to-earth as a manufacturer of top quality, new design agriculture crop sprayers:

Space Hardware Optimization Technology (SHOT):

IDFA guaranteed a \$728,280 loan for Stockyards Bank to SHOT, a high-tech, high growth company in rural southern Indiana. This funding will allow SHOT to create at least 65 new high-wage positions for highly skilled, highly educated Hoosiers.

Equipment Technology (ET):

IDFA made financing available for ET, a Central Indiana manufacturer of self-propelled agriculture crop sprayers. ET's new design allows its machines to spray crops just inches above the ground and adjust to spray plants several feet tall. ET will hire 40 people and expects to be a major supplier of self-propelled agricultural sprayers to international markets.

Powerway, Inc.:

IDFA guaranteed a \$500,000 loan for Union Planters Bank to Powerway, a high-tech, high-growth company in Indianapolis. This funding allowed Powerway to create at least 155 new high-wage positions for highly skilled, highly educated Hoosiers.

MS Holdings, LLC:

IDFA guaranteed a \$990,000 loan for Busey Bank to MS Holdings, located in Mooresville. This funding will allow MS Holdings to create at least 30 new jobs.

Environmental Remediation Revolving Loan Fund

Brownfield redevelopment continued to gain significant interest throughout the state in fiscal year 99-00. A “brownfield” – property that is abandoned or underutilized due to the actual or perceived threat of environmental contamination – is located in every Indiana community. When unaddressed, their presence leads to diminished economic capacity due to lost tax revenue, lessened property values because of blighted appearances, and the relocation of neighboring businesses from their typical urban locations to undeveloped and often unimproved “green-fields.”

The task of addressing a brownfield is significant but vital to the long term health of a community. Although a few Indiana communities have developed and implemented their own local brownfield strategies, all Indiana communities can obtain direct financial and technical assistance from the Indiana Environmental Remediation Revolving Loan Fund (also known as the “Brownfields Fund.”) Communities that have utilized the Brownfields Fund are discovering successful and proactive methods for reclaiming their brownfields.

Financial Assistance in Fiscal Year 99-00 – The IDFA administers the State’s Brownfields Program collaborating with the Indiana Department of Environmental Management.

The two financial incentives available from the Fund during Fiscal Year 99-00 included **grants** for site investigation and **low-interest loans** for environmental remediation or significant demolition activities. Both resources were competitively sought. The IDFA awarded \$380,365 in investigation grants to sixteen communities and \$2,472,687 in loans for remediation to nine communities.

The ability to forgive up to 20% of a low-interest loan – a Program incentive established in 1999 through the passage of HEA 1909 - proved to be valuable consideration for communities which otherwise would not be able to borrow from the Brownfields Fund. After meeting specific eligibility criteria and meeting specific economic development goals, eight loan recipients will have a total of \$484,537 in loan liability forgiven.

Since the inception of the Program in 1998, the Brownfields Fund has provided more than \$4.45 million in grant and low-interest loan funding to more than 80 communities across Indiana.

Indiana

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Brownfield Site Assessment Grants

ROUND FIVE - AWARDED FALL 1999

\$162,593 in grants awarded

CICERO

Grant Award: \$4,050

Category: Small Community

Project Description:

The Town is using the grant money to assess a fifty-year old underground storage tank on the old fire station property. The Town is currently constructing a new fire station and wants to sell the old station property for commercial development.

ELNORA

Grant Award: \$17,434

Category: Small Community

Project Description:

The Town is using the grant to conduct various site assessment activities at a former fertilizer operation and grain depot, consisting of approximately fifteen acres. Once the site assessment activities are completed the town plans to actively market this site for future redevelopment. The project is one of two pilots supported by the Southern Indiana Rural Development Project.

KEWANNA

Grant Award: \$22,618

Category: Small Community

Project Description:

The Town is using the grant for site assessment activities including soil and groundwater testing of a former service station site. The Town has already received a partially forgivable, low interest loan from IDFA. The Town will use the loan to remove the underground storage tanks on the property and the grant to investigate the impact of the tanks on soil and groundwater.

RISING SUN

Grant Award: \$13,000

Category: Small Community

Project Description:

The City is using the grant to conduct an environmental site assessment of property that is located in a key intersection downtown. Used since the early 1900s as both a hardware and grocery store, and more recently as a small engine repair shop, the Pavey Building will be investigated to determine the presence of asbestos, lead paint, and soil and/or groundwater contamination.

Brownfield Site Assessment Grants, Continued

WASHINGTON

Grant Award: \$12,130

Category: Small Community

Project Description:

The City is using the funds to conduct a Phase I Environmental Site Assessment and sample soil and groundwater near the City's Downtown Historical District area. The city is interested in buying the property and using it, subject to a favorable environmental report, for construction of a home in conjunction with Habitat for Humanity of Daviess County.

CRAWFORDSVILLE

Grant Award: \$28,338

Category: Small Community

Project Description:

The City is using the grant in partnership with a not for profit development group to perform site assessment activities at the former Culver Union Hospital. Investigation activities will include asbestos and lead paint inspections, and a soil and groundwater investigation in the vicinity of two underground storage tanks. The not for profit is seeking to acquire the property to develop it as: 1) 56 low income elderly housing units, 2) 12 transitional homeless units, 3) offices for the local social services agencies, and 4) 18,000 square feet of area to be reserved for later development, possibly as day care or office space.

LAPORTE

Grant Award: \$50,000

Category: Small Community

Project Description:

The City is using the grant to assist with site assessments at four different locations. These locations include an industrial dump, a foundry site, a former manufacturing facility, and a former landfill. The City is working with the Northern Indiana Center for Land Reuse to facilitate redevelopment of the entire area. The U.S. EPA is also providing mobile laboratory facilities to support the investigation.

WARSAW

Grant Award: \$15,023

Category: Small Community

Project Description:

The City is using the grant to complete the Phase II environmental investigation of the former Gatke Corporation property. Warsaw remains committed to addressing their local brownfields and received funding in the previous grant round. There is significant community support for this project, and the City reports that there are developers interested in the site once the investigation is completed.

Indiana

Development Finance Authority

Brownfield Site Assessment Grants, Continued

ROUND SIX - AWARDED SPRING 2000

\$217,772 in grants awarded

SEYMOUR

Grant Award: \$27,045

Category: Small Community

Project Description:

Seymour will use its grant investigation funds to assist a local industry – Can American, Inc. – in evaluating expansion possibilities. The City has been working with the owners of the former Swain Industries to investigate its old location which adjoins Can American's operation. A full understanding of the condition of the property will allow Can American to evaluate its purchase and cleanup options, including possible entrance into IDEM's Voluntary Remediation Program (VRP).

WINAMAC

Grant Award: \$14,597

Category: Small Community

Project Description:

Winamac will utilize its grant funds to investigate an abandoned gas station that is located in the Town across from the County Courthouse. The former gas station is tax-delinquent and previous public auction attempts have failed due to concerns over the environmental conditions of the site. Once investigated and remediated, if necessary, the Town will incorporate this brownfield site into its Hometown America Project plans for downtown revitalization.

SHERIDAN

Grant Award: \$22,260

Category: Small Community

Project Description:

The Town will use its grant funds to investigate a brownfield that was the location of a former canning operation. Although the canning operation went out of business in the 1930's and the buildings were subsequently demolished, there has been evidence of illegal dumping at the site. The site is located adjacent to the Monon Rail right-of-way and the Town's main park, Biddle Memorial Park. Pending a favorable investigation report, the property will be purchased, the park will be expanded, and the Monon right-of-way will be converted into a walkway connecting the park with the downtown business district.

EVANSVILLE

Grant Award: \$31,105

Category: Large Community

Project Description:

The City will use its grant to assess the environmental condition of a former salvage business located along Pigeon Creek near the Ohio River. The salvage yard is an important component of the next phase of completing the city's Pigeon Creek Greenway Project – an educational and recreational trail.

Brownfield Site Assessment Grants, Continued

The City had been unable to secure site access to investigate the property prior to this time. A favorable investigation report will allow the City to purchase a right-of-way for the greenway.

TERRE HAUTE

Grant Award: \$39,500

Category: Large Community

Project Description:

The Terre Haute House – a downtown Terre Haute landmark – is a revival style hotel built in 1927. However, the facility has been vacant since the 1970's, and the City will use its grant funds to assist a local developer in the renovation of the property for retail, conference, and hotel uses. The grant investigation funds will be directed primarily toward lead paint and asbestos assessment activities.

WARSAW

Grant Award: \$31,721

Category: Small Community

Project Description:

The City of Warsaw will address a brownfield known as the Endicott property with its grant award. This brownfield has historically been utilized for many purposes but most recently as a warehouse. Partially destroyed in a fire in 1994, the property has been the subject of local unsafe building code enforcement. The City recognizes that their best support of the future reuse of the site will be to address any environmental uncertainties with grant investigation funds. This site is also a potential entrant into the IDEM VRP.

INDIANAPOLIS

Grant Award: \$39,984

Category: Large Community

Project Description:

The City of Indianapolis received investigation grant funding for their support efforts for the former Seal Products site, located on English Avenue in the near southeast side. The City has been attempting to assemble several properties that will be included in the overall redevelopment of the area and this brownfield property will be an additional important component of that effort. Both the grant activities and the City's overall efforts at the site have the support of the Southeast Community Organization and Southeast Neighborhood Development, Inc.

MONROE COUNTY

Grant Award: \$11,560

Category: Large Community

Project Description:

The Oolitic Drive brownfield project is an excellent example of the benefits of partnership available with any brownfield project. Monroe County and Habitat For Humanity (Monroe County Chapter) were co-applicants on a project that will ultimately be redeveloped into several new residences for low-income residents. The environmental conditions to be investigated include the possible presence of PCBs and asbestos in surface soil at locations where historic dumping may have occurred. A local environmental consultant has also contributed matching services to complete this project.

Indiana

Development Finance Authority

Brownfield Low-Interest Loans

FISCAL YEAR 99-00
\$2,472,687 in loans awarded

PIERCETON

Loan Award: \$50,000

Project Description:

The Town of Pierceton has aggressively pursued local brownfield redevelopment with its efforts to redevelop an abandoned gas station located on North First Street, downtown Pierceton. A recipient of investigation grant and loan funds in 1998, the Town required additional loan financing to complete remediation activities surrounding leaking underground storage tanks. Once remediation is complete, the Town will redevelop the site into a senior citizens center. The Town is also eligible for partial loan forgiveness under program guidelines.

MONROE COUNTY

Loan Award: \$50,000

Project Description:

Monroe County was the first low-interest loan applicant to obtain brownfield remediation financing and then re-loan the proceeds to a private developer. The developer, a local partnership, had acquired a property known locally as the former RCI facility at tax sale. Environmental concerns at the property centered around lead and cadmium contamination in soils at the site, resulting from the former recycling operations conducted by the previous owner. The site is slated to enter the VRP following remediation of the soil at the site, and the future re-use of the brownfield will likely include light manufacturing or warehousing.

KEWANNA

Loan Award: \$50,000

Project Description:

The Town of Kewanna recognized early on that a public investment of time and money would be necessary to reclaim a significant brownfield in their business district. The brownfield - used over time as a gas station only to be recently abandoned - had multiple underground storage tanks that were suspected as leaking. The Town obtained a partially forgivable loan to remove the tanks and investigate soil and groundwater across the entire site.

LAFAYETTE

Loan Award: \$65,000

Project Description:

Confronted with an abandoned gas station brownfield at the corner of a busy intersection and adjacent to a school, a drugstore and residential property, the City of Lafayette obtained a low interest, partially forgivable loan from the IDFA. The proceeds of the loan will be used to remove the tanks and investigate the soil and groundwater at the site. Pending the outcome of the investigation, the City will seek to facilitate the expansion of the adjacent drugstore or to reuse the site for other commercial purposes.

Brownfield Low-Interest Loans, Continued

MADISON

Loan Award: \$300,000

Project Description:

The City of Madison was confronted with the difficulty of preserving a local landmark and historic structure – the old Madison Senior High School – when a private developer brought a unique idea to the City leaders. The proposed redevelopment plan called for the reuse of the site as low-income senior housing. A great deal of local support was brought to bear on the project and a partially forgivable loan was made to the City, who then re-loaned the proceeds of the loan to the developer. Once asbestos, lead paint, and an underground storage tank are removed, the renovated building will meet a serious housing shortage in the area.

MISHAWAKA

Loan Award: \$1,300,00

Project Description:

The City of Mishawaka has been aggressively dealing with one of the largest brownfield projects in the state for over eight years. Known and operated for decades as the Uniroyal facility, this brownfield encompassed 43 acres and included 58 buildings in very poor condition. The City enacted a tax increment financing (TIF) district with the primary intent of financing the redevelopment of the Uniroyal site. That strategy has proved to be successful as the TIF income will be used to repay the IDFA low-interest (and partially-forgivable) loan. The proceeds of the loan will be used to demolish all of the structures on-site that will, in turn, allow for a comprehensive redevelopment plan to be completed.

RISING SUN

Loan Award: \$100,000

Project Description:

Known locally as the Pavey Building, the City of Rising Sun intends to further the recreation of its downtown area by reclaiming this brownfield. The redevelopment of the Pavey brownfield will be for future retail space and residential lofts that cater to the artistic community. Loan proceeds will be used to remediate asbestos, lead paint, and residual soil contamination in a basement area.

SHELBYVILLE

Loan Award: \$232,687

Project Description:

The City of Shelbyville realized that it could spur economic development in the right downtown location if it had an available building site for prospective developers. One of the prime locations was unfortunately a brownfield site that contained dilapidated buildings and underground storage tank issues. However, the City entered into an agreement with a developer to bring a CVS pharmacy to the location if the appropriate financial assistance could be garnered to address the environmental liabilities at the site. The City will use its loan proceeds to remove

I n d i a n a

Development Finance Authority

Brownfield Low-Interest Loans, Continued

asbestos and demolish the buildings at the site and to remove and remediate if necessary the underground tanks at the site. The tax revenue that the redevelopment will spur will be significant and the reuse will also create valuable jobs for the community.

CRAWFORDSVILLE

Loan Award: \$325,000

Project Description:

The City of Crawfordsville had identified the environmental conditions at the brownfield site known as the old Culver Hospital through an investigation grant from the IDFA in the Fall 1999 grant round. The investigation revealed there were significant asbestos and lead paint issues to be addressed, in addition to one or more underground storage tanks. The low interest and partially forgivable loan awarded to the City will be re-loaned to a local non-profit who will remediate the property and convert it into low-income and other targeted housing.

Financial Statement - Auditors Commentary

REPORT OF INDEPENDENT AUDITORS ON COMBINED FINANCIAL STATEMENTS

Indiana Development Finance Authority
State of Indiana

We have audited the accompanying combined balance sheets of the Indiana Development Finance Authority (Authority), as of June 30, 2000, and the related combined statements of revenues, expenses and changes in fund balances for the year then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2000, and the combined results of their operations and changes in fund balances for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2000 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the combined financial statements of the Authority taken as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Crowe, Chizek and Company LLP

Crowe Chizek and Company LLP

Indianapolis, Indiana
October 17, 2000

Indiana

Development Finance Authority

Financial Statement, Continued

COMBINED BALANCE SHEET – GOVERNMENTAL FUND TYPES June 30, 2000

	<u>Governmental Fund Type</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
ASSETS			
Cash and cash equivalents (Note 2)	\$ 778,613	\$ 3,424,456	\$ 4,203,069
Investments (Note 2)	-	24,002,205	24,002,205
Accrued interest	1,724	280,212	281,936
CAP cash accounts (Note 3)	-	4,766,248	4,766,248
Due from other funds (Note 4)	139,683	676,690	816,373
Loans receivable, net (Note 5 and 9)	<u>-</u>	<u>1,984,226</u>	<u>1,984,226</u>
	<u>\$ 920,020</u>	<u>\$ 35,134,037</u>	<u>\$ 36,054,057</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 40,497	\$ -	\$ 40,497
Due to other funds (Note 4)	676,690	139,683	816,373
Allowance for CAP claims (Note 3)	-	3,359,255	3,359,255
Allowance for guaranty claims (Note 6)	-	900,000	900,000
Reimbursement agreement obligation (Note 7)	<u>-</u>	<u>166,667</u>	<u>166,667</u>
Total liabilities	<u>717,187</u>	<u>4,565,605</u>	<u>5,282,792</u>
FUND EQUITY			
Reserved (Note 11)	-	10,102,302	10,102,302
Unreserved	<u>202,833</u>	<u>20,466,130</u>	<u>20,668,963</u>
Total fund equity	<u>202,833</u>	<u>30,568,432</u>	<u>30,771,265</u>
Total liabilities and fund equity	<u>\$ 920,020</u>	<u>\$ 35,134,037</u>	<u>\$ 36,054,057</u>

Financial Statement, Continued

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES INFUND EQUITY – GOVERNMENTAL FUND TYPES Year ended June 30, 2000

	<u>General</u>	<u>Special Revenue</u>	Totals (Memorandum Only)
REVENUES			
Appropriations received	\$ -	\$ 8,745,000	\$ 8,745,000
Other state funding	-	4,732,782	4,732,782
Investment earnings, including loan interest	42,027	1,622,197	1,664,224
Realized and unrealized loss on investments	-	(270,351)	(270,351)
Financing fees and premiums (Note 12)	77,500	50,897	128,397
Rental income (Note 13)	<u>14,185</u>	<u>-</u>	<u>14,185</u>
Total revenues	<u>133,712</u>	<u>14,880,525</u>	<u>15,014,237</u>
EXPENDITURES			
Salaries and benefits	526,322	44,447	570,769
Professional services	92,436	-	92,436
Administrative expenses	94,265	100,862	195,127
Office rent (Note 13)	71,513	-	71,513
Bank and trustee fees	274	22,727	23,001
Allowance for guaranty claims (Note 6)	-	300,000	300,000
Allowance for brownfield loans (Note 9)	-	80,000	80,000
Reimbursement agreement loss (Note 7)	-	332,692	332,692
Grant awards	-	1,974,258	1,974,258
Capital access program claims (Note 3)	<u>-</u>	<u>642,444</u>	<u>642,444</u>
Total expenditures	<u>784,810</u>	<u>3,497,430</u>	<u>4,282,240</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(651,098)	11,383,095	10,731,997
Operating transfers	<u>978,525</u>	<u>(978,525)</u>	<u>-</u>
Increase in fund equity	327,427	10,404,570	10,731,997
Fund equity (deficit)			
Beginning of year, before restatement	(124,594)	19,987,591	19,862,997
Prior period adjustment (Note 1)	<u>-</u>	<u>176,271</u>	<u>176,271</u>
Beginning of year, as restated	<u>(124,594)</u>	<u>20,163,862</u>	<u>20,039,268</u>
End of year	<u>\$ 202,833</u>	<u>\$ 30,568,432</u>	<u>\$ 30,771,265</u>

Indiana

Development Finance Authority

Notes to Financial Statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Indiana Development Finance Authority (the Authority) was established by the Indiana General Assembly, in 1990, as a body corporate and politic to independently exercise essential public functions. The primary purpose of the Authority is to provide job-creating industrial development projects with access to capital markets where adequate financing is not otherwise available. The accompanying financial statements report only on the financial activities associated with the Authority, which is a component unit of the State of Indiana. The financial statements do not represent a comprehensive annual financial report of the State of Indiana.

Fund Accounting: The accounts of the Authority are organized based on funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures, and operating transfers, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type and combined for financial reporting purposes as government funds as follows:

General Fund: The General Fund is used to account for all activities of the Authority not required to be accounted for in another fund. Examples of activities accounted for in the General Fund include the State Private Activity Bond Ceiling Program, various bond issue and refunding programs, and operational budgets.

Special Revenue Funds: Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for a specified purpose. The Authority's Special Revenue Funds include the following:

The **Capital Access Program (CAP) Fund** enables banks to make loans to Indiana businesses that may not meet traditional lending requirements. The foundation of CAP is the establishment of a reserve fund into which the borrower, bank and the Authority contribute. When a CAP loan is made, the borrower and the bank each deposit a small percentage of the loan (1.5% - 3.5%) into the bank's reserve fund, and the Authority matches the combined payment. The reserve fund is available for the bank to use to cover losses of any loans made by it under the CAP program. Claims made during the year totaled approximately \$643,000.

The **Guaranty Fund** provides flexible loan guaranties to banks for various economic development projects. Indiana businesses that are unable to qualify for conventional financing can utilize the Authority's loan guaranty programs for high tech, industrial, rural and agriculture development projects. The loan guaranty program offers guaranties from 75% to 90% of the principal deficiency on a loan of up to \$2,000,000 for industrial development projects and up to \$300,000 for rural and agriculture projects. At June 30, 2000, the Authority had outstanding guaranties aggregating approximately \$3,500,000 and guaranty commitments of approximately \$720,000.

The **Business Development Loan Fund** is used for activities relating to the Business Development Loan Program. The primary purpose of the Business Development Loan Fund is to grant loans to qualified borrowers so that they may carryout an industrial development project consistent with the requirements of the related statute (4-4-11-16.5). There is a \$1,500,000 loan commitment at June 30, 2000.

The **Rural and Agricultural Development Fund** is used for activities relating to the Rural and Agricultural Program. The Fund's primary purpose is to create or retain employment within the State of Indiana to benefit any agriculture enterprise or rural development project. As with the guaranty program, lenders will seek the guaranty for those proposed borrowers who could not qualify under normal required credit standards. There are no outstanding loans receivable or loan commitments at June 30, 2000. Loan guaranty commitments were approximately \$80,000 at June 30, 2000.

Notes to Financial Statement, Continued

The **Underground Storage Tank Fund** is used to account for the activities of the Underground Storage Tank (UST) Program, which assists low-income underground storage tank owners with the Environmental Protection Agency's 1998 upgrade/closure requirements. Grants were made to approximately 25 owners during the year ended June 30, 2000 totaling approximately \$208,000. There are no outstanding grants, loans or loan commitments at June 30, 2000.

The **Environmental Remediation Revolving Loan Fund** was created in 1997 by the General Assembly to facilitate economic development and environmental remediation for inactive or abandoned industrial or a commercial property in which redevelopment is difficult due to environmental issues. The Authority administers the State's Brownfield Grant and Loan Program. There is approximately \$100,000 in grant commitments and \$2,060,000 in loan commitments at June 30, 2000.

The **Indiana 21st Century Research and Technology Fund** was established by the State in 1999 to support the expansion of the high technology sector of Indiana's economy, with the expectation of creating significant economic impact and job growth. The Fund provides grant awards to Indiana businesses, institutions of higher education and other organizations to compete for research and development funding; to stimulate the transfer of research and technology into marketable products; to diversify Indiana's economy through effective public/private partnerships. The State Budget Agency and the Fund's Board review grant submissions recommended by peer review panels and approve grant disbursements under the program.

At June 30, 2000, the Fund has commitments of approximately \$15,200,000 in grant awards through executed agreements. The Authority administers the program and submits grantee claims to the State Budget Agency for draws under the program.

Basis of Accounting: The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include allowances for loans, guaranty and CAP claims and related commitments.

Memorandum Only – Total Columns: Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in fund equity (deficit) in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Prior Period Adjustment: Beginning equity has been adjusted to properly reflect the fair market value of investments at June 30, 1999, including accrued interest receivable. The effect of the prior period adjustment is an increase of \$176, 271 to specific special revenue funds.

Indiana

Development Finance Authority

Notes to Financial Statement, Continued

NOTE 2 – CASH AND INVESTMENTS

The Authority maintains separate demand deposit accounts for each fund. In addition, there are trust accounts for all funds, except the Underground Storage Tank Fund and 21st Century Research and Technology Fund. At June 30, 2000, the Authority's demand deposit account balances were \$964,446 and the bank balances were \$1,411,553. Trust account cash and money market accounts were \$3,238,623 at June 30, 2000

Investments made by the Authority are reported at market value and are summarized below:

	Carrying Value	Market Value
Repurchase agreements	\$ 2,377,784	\$ 2,377,784
Government and agency obligations	18,233,727	17,540,421
Corporate Notes and other investments	<u>4,100,000</u>	<u>4,084,000</u>
	<u>\$ 24,711,511</u>	<u>\$24,002,205</u>

Indiana statute authorizes the Authority to invest in obligations of the United States Treasury and U.S. agencies, repurchase agreements and other approved investment vehicles. Repurchase agreements are required to be fully collateralized by interest bearing obligations, as determined by the current market value computed on the day the agreement is effective. All investments are uninsured and unregistered (category 2), with securities held by bank trust departments in the Authority's name.

NOTE 3 – CAPITAL ACCESS PROGRAM (CAP) CASH

At June 30, 2000, CAP cash account balances held in participating banks in the Authority's name aggregated \$4,766,248. The balances include the Authority's matching payments on the aggregate of the borrowers' and banks' payments. An allowance of \$3,359,255 has been recorded for CAP claims based on historical loan default rates. All CAP cash accounts held by 35 participating banks are pledged as security on CAP loans aggregating approximately \$99,000,000 at June 30, 2000. The Authority has the ability to draw fifty percent of accumulated interest earnings on CAP cash accounts at its discretion. Accumulated interest at June 30, 2000 is approximately \$536,000.

NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. To the extent that certain transactions between funds have not been paid or received, interfund receivable and payable balances have been recorded at June 30, 2000.

	Interfund Receivable	Interfund Payable
General Fund	\$ 139,683	\$ 676,690
Indiana 21st Century Research and Technology Fund	-	139,683
Guaranty Fund	<u>676,690</u>	<u>-</u>
Total investments	<u>\$ 816,373</u>	<u>\$ 816,373</u>

Notes to Financial Statement, Continued

NOTE 5 – LOANS RECEIVABLE – GUARANTY FUND

Loans receivable under the Guaranty Fund were comprised for the following at June 30, 2000:

In June 1997, the Authority advanced \$450,000 under a promissory note to a company within Indiana. The note is payable in monthly installments of \$5,225, including interest at 7%, from June 1997 to July 2007. The note is secured by substantially all property, equipment, and inventory of the borrower.

\$ 345,543

In June 1997, the Authority advanced \$1,000,000 under a promissory note to a company within Indiana for equipment purchases and permanent working capital. The note is payable in monthly installments of \$12,485, including interest at 8.25%, from June 1997 to August 2007. The note is secured by substantially all property and equipment, inventory and personal guaranties of the borrower.

805,700

\$ 1,151,243

Interest earned on these loans during the year ended June 30, 2000 was approximately \$93,000.

NOTE 6 - ALLOWANCE FOR GUARANTY FUND CLAIMS

The Allowance for Guaranty Claims are recorded in the Special Revenue Fund (Guaranty Fund) and represent amounts that management estimates to be adequate to provide for future claims resulting from borrower defaults on loans, bonds or equipment leases guaranteed by the Authority pursuant to the guaranty program. In arriving at a judgment about the adequacy of the allowances, consideration has been given to problem guaranties, historical losses, economic conditions and other factors affecting the outstanding guaranties.

NOTE 7 – REIMBURSEMENT AGREEMENT LOSS – GUARANTY FUND

The Authority is a party to a Reimbursement Agreement with Qualitech Steel Corporation (“Qualitech”) and a bank relating to the \$33,100,000 Indiana Development Authority Taxable Variable Rate Demand Economic Development Revenue Bonds, Series 1996 (the “Bonds”). The proceeds of the Bonds were used by Qualitech to help construct Qualitech’s special bar quality steel mini-mill facility, which was substantially completed on March 1, 1999.

To induce the bank to issue a letter of credit used as credit enhancement in the marketing of the Bonds, the Authority agreed to certain provisions in the Reimbursement Agreement. These provisions require the Authority, in the event of certain defaults by Qualitech, to either i) pay bond and related expenses from certain monies legally available to the Authority, or ii) seek an appropriation from the Indiana General Assembly to repay the bank the amounts due under the Reimbursement Agreement.

Under a forbearance agreement through August 31, 2000, payments were estimated to aggregate \$3,500,000, which was recognized as a loss for the year ended June 30, 1999. Because interest rates on the debt service payments were variable, an additional loss of \$332,692 was incurred and recorded during the year ended June 30, 2000, of which \$166,667 is accrued at June 30, 2000. The bonds remain outstanding under an amended Reimbursement Agreement with a new letter of credit bank. The Reimbursement Agreement requires that the Authority maintain the debt service reserve fund at a level of \$3,990,000, and stipulates no declaration of default so long as bond and related payments are made.

The Authority could be obligated to pay the outstanding balance of the bond issue, which would result in recognition of losses in future years. The amount of this contingency is the outstanding principal of the Bonds totaling \$28,700,000 as of September 1, 2000. Debt service reserve funds aggregating \$3,990,000 are currently held in trust and may be available to reduce the contingent obligation.

Indiana

Development Finance Authority

Notes to Financial Statement, Continued

NOTE 8 – GUARANTY FUND COMMITMENTS

The Guaranty Fund was established by the Indiana General Assembly primarily for the purpose of guaranteeing various percentages of loans, bonds, letters of credit and equipment leases used by qualified lenders. Periodically, the Indiana General Assembly appropriates funds to the Guaranty Fund. Available funds may be increased or decreased by the income and expenses attributable to the Authority's Guaranty Program, including payments required upon guaranteed loan defaults. Guaranties are not backed by the full faith and credit of the State of Indiana. Payments of guaranty claims can be made only from the Guaranty Fund. Currently, the Authority is authorized to extend guaranties aggregating eight times the amount of the Guaranty Fund balance. At June 30, 2000, the Authority had outstanding guaranties aggregating approximately \$3,500,000 and guaranty commitments of approximately \$720,000. Potential losses from these guaranties will be reduced by the Authority's pro rata share of proceeds from any liquidation of collateral.

The Authority has entered into certain agreements that include a requirement that under certain circumstances the Authority seek an appropriation from the Indiana General Assembly for certain required payments. The total outstanding amount of these two conduit debt obligations aggregated approximately \$29,800,000 as of June 30, 2000.

NOTE 9 – LOANS RECEIVABLE – BROWNFIELDS

Loans receivable in the Environmental Remediation Revolving Loan Fund were comprised of the following at June 30, 2000:

In April 1999, the Authority advanced \$500,000 under a non-forgivable promissory note to a qualified Indiana entity for brownfield remediation and redevelopment activities. The note is payable semi-annually with principal and interest payments totaling \$31,192, with interest at 2.5% from August 1999 to February 2008. The note is secured by a first security interest in revenues received by the qualified Indiana entity from income taxes.	\$	447,983
In July 1999 and October 1999, the Authority advanced \$50,000 under a non-forgivable promissory note and \$50,000 under a partially forgivable promissory note to a qualified Indiana entity for brownfield remediation and redevelopment activities. The non-forgivable portions of the notes, totaling \$10,000, are payable annually with principal and interest payments totaling \$11,335, including interest at 2.5% from July 2000 to July 2008. The note is secured by a first security interest in revenues received by the qualified Indiana entity from income taxes.		100,000
In October 1999, the Authority advanced \$50,000 under a non-forgivable promissory note to a qualified Indiana entity for brownfield remediation and redevelopment activities. The note is due October 5, 2000 at \$51,250 reflecting interest at 3.0%. The note is secured by a first security interest in revenues received by the qualified Indiana entity from income taxes.		50,000
In December 1999, the Authority advanced \$15,000 under a partially forgivable promissory note for \$50,000 to a qualified Indiana entity for brownfield remediation and redevelopment activities. The non-forgivable portion note, totaling \$10,000, is payable annually with principal and interest totaling \$5,018, including interest at 3.0% from December 2000 to December 2008. The note is secured by a first security interest in revenues received by the qualified Indiana entity from income taxes.		15,000

Notes to Financial Statement, Continued

In June 2000, the Authority advanced \$300,000 under a partially forgivable promissory note to a qualified Indiana entity for brownfield remediation and redevelopment activities. The non-forgivable portion of the note totaling \$240,000 is payable quarterly with principal and interest payments at \$1,800, including interest at 3.0% from October 2000 to October 2002. From October 2002 to October 2020, the note is payable quarterly at \$4,326. The note is secured by a first security interest in revenues received by the qualified Indiana entity from income taxes.

300,000

Less allowance for forgivable portion of brownfield loans

912,983

(80,000)

\$ 832,983

In 1999, the Indiana General Assembly amended the original brownfields legislation to add a new financial assistance tool, a partially forgivable loan program, with certain eligibility requirements. Eligible participants have a provision for forgiveness of up to 20% of the original loan balance if certain performance criteria are met. The Authority has recorded an allowance of \$80,000, which represents the full amount available for forgiveness on three loans that qualified for the program.

NOTE 10 – OTHER CONDUIT DEBT OBLIGATIONS

The Authority has issued other bonds in its name where the Authority did not receive or use the debt proceeds and is not responsible for payments required under the bonds. These conduit debt obligations are not recorded as a liability of the Authority.

NOTE 11 – RESERVED FUND EQUITY

The Authority has reserved fund equity in five special revenue funds for specific purposes as stated in appropriations from the Indiana General Assembly or as designated by the Authority's governing body:

The CAP Fund has a reserve of \$750,000 for child care facility loans as reserved by state appropriations for the first year of the biennial appropriation and \$1,406,893 for the CAP Cash Program.

The Guaranty Fund has a reserve of \$500,000 child care facility debt service reserves as reserved by state appropriations for the first year of the biennial appropriation and \$1,467,308 reserved by the Authority to pay amounts due under a Reimbursement Agreement.

The Business Development Loan Fund has a reserve of \$1,500,000 for a loan with forgivable and non-forgivable components to a certain project reserved by the Authority.

The 21st Century Research and Technology Fund has a reserve of \$2,238,101 for costs of administering the program and providing grant awards to successful grant applicants.

The Environmental Remediation Revolving Loan Fund has a reserve of \$2,160,000 for current loan and grant commitments as reserved by the Authority.

Indiana

Development Finance Authority

Notes to Financial Statement, Continued

NOTE 12 – FINANCING FEES AND PREMIUMS

The Authority may assess a fee or charge a premium on loan guaranties and bond issuances. The following represent amounts recorded for the year ended June 30, 2000:

Guaranty Fund:

Guaranty premiums and fees	\$ 22,938
Recovery of guaranty payments	<u>27,959</u>
	<u>\$ 50,897</u>

General Fund:

Bond registration fees	\$ 27,000
Bond application fees	<u>50,500</u>
	<u>\$ 77,500</u>

NOTE 13 – RENT COMMITMENTS

The Authority leases office space pursuant to a non-cancellable operating lease expiring in March 2001. The future minimum rental payments required at June 30, 2000 are approximately \$48,000. Rental expense for all operating leases was approximately \$72,000 for the year ended June 30, 2000. The Authority leased space to the Indiana Transportation Finance Authority that resulted in rental income of approximately \$14,000 for the year ended June 30, 2000.

NOTE 14 – MARKET INDIANA

Market Indiana is a public-private partnership designed to support economic development in the State of Indiana. Through Market Indiana, Indiana companies can participate with the Indiana Department of Commerce in various marketing programs to promote economic development in Indiana. The Authority performs certain accounting functions for Market Indiana on behalf of the Indiana Department of Commerce. The assets, fund balance and results of operations are not included in the financial statements of the Authority.

Summarized financial information as of June 30, 2000 and for the year then ended is as follows:

Total assets	\$ <u>258,734</u>
Fund balance	\$ <u>258,734</u>
Total revenues	\$ 408,649
Total expenditures	<u>437,682</u>
Excess of revenue over expenditures	<u>\$ (29,033)</u>

Supplementary Schedules

COMBINING BALANCE SHEET—SPECIAL REVENUE FUNDS June 30, 2000

	Capital Access Program Fund	Guaranty Fund	Business Development Loan Fund	Rural and Agricultural Development Fund	Underground Storage Tank Fund	Environmental Remediation Revolving Loan Fund	Indiana 21st Century Research & Technology Fund	Totals (Memorandum Only)
ASSETS								
Cash and cash equivalents (Note 2)	\$ 372,857	\$ 268,513	\$ 1,623,000	\$ 285,177	\$ 74,292	\$ 800,617	\$ -	\$ 3,424,456
Investments (Note 2)	2,570,170	5,982,790	1,664,100	957,930	-	9,449,431	2,377,784	24,002,205
Accrued interest	34,102	71,709	40,668	10,938	-	122,795	-	280,212
CAP cash accounts (Note 3)	4,766,248	-	-	-	-	-	-	4,766,248
Due from other funds (Note 4)	-	676,690	-	-	-	-	-	676,690
Loans receivable, net (Notes 5 and 9)	-	1,151,243	-	-	-	832,983	-	1,984,226
	<u>\$ 7,743,377</u>	<u>\$ 8,150,945</u>	<u>\$ 4,327,768</u>	<u>\$ 1,254,045</u>	<u>\$ 74,292</u>	<u>\$ 11,205,826</u>	<u>\$ 2,377,784</u>	<u>\$ 35,134,037</u>
LIABILITIES								
Due to other funds (Note 4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,683	\$ 139,683
Allowance for CAP claims (Note 3)	3,359,255	-	-	-	-	-	-	3,359,255
Allowance for guaranty claims (Note 6)	-	900,000	-	-	-	-	-	900,000
Reimbursement agreement obligation (Note 7)	-	166,667	-	-	-	-	-	166,667
Total liabilities	<u>3,359,255</u>	<u>1,066,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,683</u>	<u>4,565,605</u>
FUND EQUITY								
Reserved (Note 11)	2,156,893	1,967,308	1,500,000	80,000	-	2,160,000	2,238,101	10,102,302
Unreserved	<u>2,227,229</u>	<u>5,116,970</u>	<u>2,827,768</u>	<u>1,174,045</u>	<u>74,292</u>	<u>9,045,826</u>	<u>-</u>	<u>20,466,130</u>
Total fund equity	<u>4,384,122</u>	<u>7,084,278</u>	<u>4,327,768</u>	<u>1,254,045</u>	<u>74,292</u>	<u>11,205,826</u>	<u>2,238,101</u>	<u>30,568,432</u>
Total liabilities and fund equity	<u>\$ 7,743,377</u>	<u>\$ 8,150,945</u>	<u>\$ 4,327,768</u>	<u>\$ 1,254,045</u>	<u>\$ 74,292</u>	<u>\$ 11,205,826</u>	<u>\$ 2,377,784</u>	<u>\$ 35,134,637</u>

Indiana

Development Finance Authority

Supplementary Schedules, Continued

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY-SPECIAL REVENUE FUNDS June 30, 2000

	Capital Access Program Fund	Guaranty Fund	Business Development Loan Fund	Rural and Agricultural Development Fund	Underground Storage Tank Fund	Environmental Remediation Revolving Loan Fund	Indiana 21st Century Research & Technology Fund	Totals (Memorandum Only)
REVENUES								
Appropriations	\$ 1,750,000	\$ 875,000	\$ 1,000,000	\$ -	\$ 120,000	\$ 5,000,000	\$ -	\$ 8,745,000
Other state funding	-	-	1,000,000	-	-	-	3,732,782	4,732,782
Investment earnings, including loan interest	284,336	537,113	158,326	75,831	-	547,580	19,011	1,622,197
Realized and unrealized loss on investments	(25,758)	(143,580)	(25,742)	(29,863)	-	(45,408)	-	(270,351)
Financing fees and Premiums (Note 12)	<u>-</u>	<u>50,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,897</u>
Total revenues	<u>\$ 2,008,578</u>	<u>\$ 1,319,430</u>	<u>\$ 2,132,584</u>	<u>\$ 45,968</u>	<u>\$ 120,000</u>	<u>\$ 5,502,172</u>	<u>\$ 3,751,793</u>	<u>\$ 14,880,525</u>
EXPENDITURES								
Salaries and benefits	-	-	-	-	-	-	44,447	44,447
Administrative expenses	-	-	-	-	-	-	100,862	100,862
Bank and trustee fees	3,280	7,222	2,362	1,138	-	8,725	-	22,727
Allowance for guaranty claims (Note 6)	-	300,000	-	-	-	-	-	300,000
Allowance for brownfield loans (Note 9)	-	-	-	-	-	80,000	-	80,000
Reimbursement agreement loss (Note 7)	-	332,692	-	-	-	-	-	332,692
Grant awards	-	-	-	-	208,255	397,620	1,368,383	1,974,258
Capital access program claims (Note 3)	<u>642,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,444</u>
Total expenditures	<u>645,724</u>	<u>639,914</u>	<u>2,362</u>	<u>1,138</u>	<u>208,255</u>	<u>486,345</u>	<u>1,513,692</u>	<u>3,497,430</u>

Supplementary Schedules, Continued

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY-SPECIAL REVENUE FUNDS June 30, 2000

	Capital Access Program Fund	Guaranty Fund	Business Development Loan Fund	Agricultural Development Fund	Underground Storage Tank Fund	Environmental Remediation Revolving Loan Fund	Indiana 21 st Century Research & Technology Fund	Totals (Memorandum Only)
Excess (deficiency) of revenues over expenditures	\$ 1,362,854	\$ 679,516	\$ 2,130,222	\$ 44,830	\$ (88,255)	\$ 5,015,827	\$ 2,238,101	\$ 11,383,095
Operating transfers	<u>(336,009)</u>	<u>(258,506)</u>	<u>(14,400)</u>	<u>(96,004)</u>	<u>(33,600)</u>	<u>(240,006)</u>	<u>-</u>	<u>(978,525)</u>
Increase (decrease) in fund equity	1,026,845	421,010	2,115,822	(51,174)	(121,855)	4,775,821	2,238,101	10,404,570
Fund equity								
Beginning of year	3,341,910	6,589,323	2,185,652	1,298,968	196,147	6,375,591	-	19,987,591
Prior period adjustment	<u>15,367</u>	<u>73,945</u>	<u>26,294</u>	<u>6,251</u>	<u>-</u>	<u>54,414</u>	<u>-</u>	<u>176,271</u>
Beginning of year, as restated	<u>3,357,277</u>	<u>6,663,268</u>	<u>2,211,946</u>	<u>1,305,219</u>	<u>196,147</u>	<u>6,430,005</u>	<u>-</u>	<u>20,163,862</u>
End of year	<u>\$ 4,384,122</u>	<u>\$ 7,084,278</u>	<u>\$ 4,327,768</u>	<u>\$ 1,254,045</u>	<u>\$ 74,292</u>	<u>\$ 11,205,826</u>	<u>\$ 2,238,101</u>	<u>\$ 30,568,432</u>

Indiana

Development Finance Authority

Auditors Report

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Indiana Development Finance Authority
State of Indiana

We have audited the financial statements of Indiana Development Finance Authority (Authority) as of and for the year ended June 30, 2000, and have issued our report thereon dated October 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority in a separate letter dated October 17, 2000.

This report is intended for the information of management, the Indiana State Board of Accounts and the Indiana State Budget Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe, Chizek and Company LLP
Crowe, Chizek and Company LLP

Indianapolis, Indiana
October 17, 2000